GOWINGS

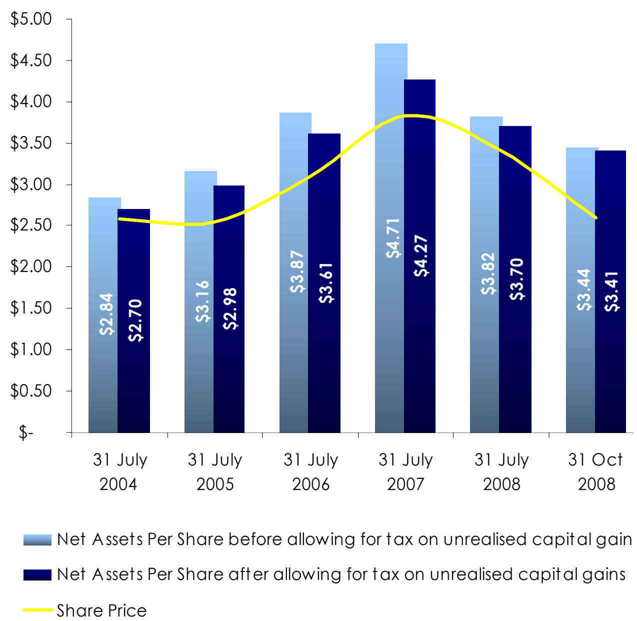
Investing together for a secure future

Newsletter

For the Quarter ending 31 October 2008

Bonds, diversification and hedging assist to minimise losses ...

Gowings' net assets per share declined by 8.6% to $3.44 for the quarter ending 31 October 2008 after allowing for 5c in dividends paid (refer shareholder return table adjacent).



Whilst we do not take any pleasure in reporting negative returns to our shareholders, our heavy weighting in cash (bonds), diversified portfolio and hedging strategies all helped us to minimise losses in comparison to the market which fell 20%.

The first quarter of 2009 was an extremely difficult period, which saw a stock market crash in October. At one point, the month of October was down 22% before recovering slightly.

To further put these falls into perspective, the Australian market has fallen by over 45% in the calendar year to date, which makes it the worst year on record in the past 108 years even surpassing the annual falls during the Great Depression.

Volatility also continues to worsen with 4 out of the 10 largest one day falls in the past 20 years being recorded in October.

Global equity and credit markets are in worsening disarray following systemic failure of the financial system. The last quarter saw some extraordinary events worthy of reflection including bank runs, stock market closures, short selling bans, the end of Wall Street's investment banks, large company failures, Iceland's bankruptcy, IMF country bailouts, the G20 formation, oil and commodities falling over 50%, the Australian dollar plunging 35% and unprecedented government and central bank intervention.

Shareholder Returns

For the period ending	31 Oct 2008	31 July 2008	31 July 2007
	Per Share	Per Share	Per Share
Opening net assets *	**$3.82**	**$4.71**	$3.87
Closing net assets *	**$3.44**	**$3.82**	$4.71
(Decrease) / increase	**($0.38)**	**($0.89)**	$0.84
+ Ordinary dividends paid	**$0.05**	**$0.10**	$0.10
+ Special dividends paid	**-**	**$0.10**	-
Total return	**($0.33)**	**($0.69)**	$0.94
Total return %	**(8.6%)**	**(14.6%)**	**24.3%**
ASX Accumulation Index	**(20.0%)**	**(15.6%)**	29.7%
Outperformance	**+11.4%**	**+1.0%**	(5.4%)

** Before allowing for tax on unrealised gains*

Indeed, there have been days where we question whether or not the current markets are actually investable at all.

Dysfunctional financial systems and extreme uncertainty do not provide for a proper environment in which to create wealth.

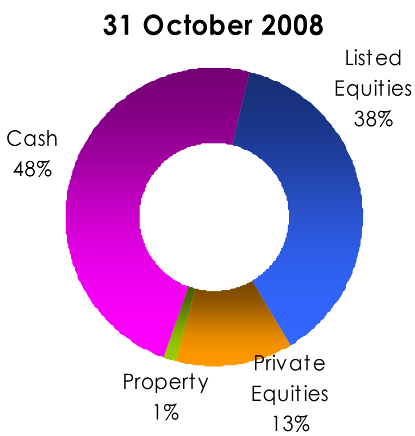
As a long term conservative investor, we are seeing extreme value emerge in some outstanding companies, however, we will retain a heavy weighting in cash whose purchasing power rises every day. Ultimately, we will be able to either buy more of a company using less cash or we will be able to invest in a lower risk environment as uncertainty is reduced.

For the short term, until many of the world's problems and the outlook for global economies improves, we will remain patient and disciplined with a focus on capital preservation.

5c Final Dividend Paid

A 5c final dividend (2007: 5c) was paid on 24 October 2008. The dividend was a fully franked "LIC" dividend carrying the associated taxation advantages as advised on your dividend statement.

Portfolio Review



Cash currently represents 48% of the portfolio and has been earning attractive interest. During the quarter, the company purchased approximately $50 million of commonwealth government bonds. The bonds have since reported small gains following the significant interest rate cuts of the past few months. Further, the company purchased approximately $10 million of foreign currency which generated gains following the Australian dollar's rapid falls.

Property investments have been reduced to only 1% (net of debt) of the portfolio in light of the recent high interest rate cycle and high market valuations. Property is an interesting asset class that we are watching closely. Whilst many valuations still remain too high, we are starting to see some distressed selling in the market and the large cuts in interest rates also improve property's longer term outlook.

Managed private equity investments were flat during the period with the exception of the Macquarie European Infrastructure Fund, which reported a 15% gain following the depreciation of the Australian dollar against the Euro.

Listed equity investments posted large losses across the portfolio in line with falls across global markets. Some of these falls were able to be minimised through the hedging of resource and banking stocks. The global portfolio was also sold down from 13 to 5 stocks prior to the October crash.

Outlook

The current financial crisis is now into its second year and is not expected to improve over the short term.

Crisis	Status	Details
Sub-prime crisis	Advanced	▪ foreclosures peaking ▪ over a years worth of housing stock ▪ falling house prices ▪ further bank losses
Credit crisis	Ongoing	▪ Banks not lending to each other ▪ Credit rationing ▪ Failure to roll corporate debt ▪ Govt guarantees on bank deposits
Confidence crisis	Beginning	▪ Business and consumer confidence at record lows ▪ Destruction of wealth ▪ Rising unemployment
Economic crisis	Beginning	▪ Japan, Germany, UK, Eurozone in recession ▪ US unofficially in recession ▪ Sharp downturn in economic growth of developing countries

Typically downturns in equity markets last a little over a year on average and start to rally well before recessions end. The bottom of the downturn is usually associated with the lowest point in consumer confidence, however, this time we suspect the bottom won't be reached until the delveraging process ends (repayment of household and corporate borrowings).

Whilst it is easy to focus on the negatives, we remind ourselves that there are a lot of positive developments, which will assist to avoid a prolonged and deep recession. Oil and commodities are more affordable, inflation is falling, interest rates are falling and economies are receiving large fiscal stimulus spending by governments.

We remain cautious in our outlook and maintain an ongoing focus on capital preservation and increasing recurring income.

About Gowinas

INVESTMENT OBJECTIVE

To maximise and protect shareholder wealth over the long term.

OUR VALUES

- Patience
- Discipline
- Understanding
- Conviction
- Decisiveness
- Integrity

INVESTMENT PHILOSOPHY

Investments are made across different asset classes to take advantage of changing cycles. This greatly assists to outperform the equity market during periods of cyclic downturn or volatility.

Investments are made in assets which have the potential to deliver superior growth over the long term when that growth is not reflected in today's asset prices. Investments are made on a risk return basis with higher returns required for more risky assets.

In identifying high calibre investments, we draw on the experience and expertise of our board and management and their wider network. We seek to take advantage of our ability to invest in wholesale offerings not generally available to retail investors.

As a long term investor, we rarely sell stocks unless their outlook changes or they become significantly overvalued. This assists us to maximise returns through the power of compound interest, minimising tax and transaction costs.

At Gowings, all the board of directors and management are shareholders giving rise to our commitment to "investing together for a secure future"

Gowings "At A Glance" (unaudited)

	31 October 2008	31 July 2008
	$	$
1. CASH & FIXED INTEREST SECURITIES		
Cash and term deposits	18,497,000	51,839,000
CGS	51,321,000	-
Total Cash	**69,818,000**	**51,839,000**
2. EQUITIES		
Australian Equity Portfolio		
BHP Billiton	11,196,000	15,884,000
Woodside Petroleum	6,282,000	8,070,000
Rio Tinto Limited	3,880,000	6,270,000
Woolworths	3,614,000	3,276,000
Blackmores Ltd	3,214,000	3,712,000
Carlton Investments Ltd	2,422,000	2,695,000
National Australia Bank	2,399,000	2,470,000
Australian Stock Exchange	2,287,000	2,647,000
Alesco Corp	2,240,000	2,616,000
St George Bank**	2,049,000	1,385,000
Commonwealth Bank	2,015,000	-
Harvey Norman	1,471,000	1,852,000
News Corporation	1,374,000	1,466,000
Hexima	1,065,000	1,308,000
ARB Corporation	785,000	684,450
India Equities Fund	709,000	975,000
Aspen Group*	673,000	1,369,000
ANZ Bank	597,000	558,773
AMP China Fund*	538,000	765,000
Soul Private Equity	445,000	656,425
Other holdings*	3,590,000	18,933,352
Total Australian Equities	**52,845,000**	**77,593,000**
International Equity Portfolio	$AUD	$AUD
Bunge	2,300,000	4,194,000
Deere & Co	785,000	1,012,000
Veolia Environment SA	423,000	648,000
Delegats Group	410,000	359,000
Textron	397,000	691,000
Nokia	326,000	408,000
Other	-	5,937,000
Total Global Equities	**4,641,000**	**13,249,000**
Total Equity Portfolio	**57,486,000**	**90,842,000**
Total Cash & Equities	**127,304,000**	**142,681,000**

* Denotes full or partial sale of holding during the period.

** Denotes sale and purchase of holding during the period

The "Gowings At A Glance" table above is unaudited and is based on published market prices of listed securities, private equity manager valuations and management's estimations of property valuations.

	31 October 2008	31 July 2008
3. MANAGED PRIVATE EQUITIES		
Macquarie Whole Sale Co-Investment Fund	4,604,000	4,564,000
AMP PEFIIIA	1,448,000	1,442,000
ANZ Business Equity Fund	5,000,000	5,000,000
Crescent Capital Partners II LP	2,317,000	2,282,000
Everest Babcock & Brown Opportunity Fund	2,091,000	2,091,000
MEIF	3,537,000	3,054,000
MEIF loan	(1,149,000)	(992,000)
Other Investments	601,000	604,000
Total	**18,449,000**	**18,045,000**
4. PROPERTY PORTFOLIO		
Retail*	5,048,000	5,045,000
Commercial	4,184,000	4,184,000
Industrial	1,425,000	1,425,000
Residential	2,644,000	2,644,000
Property Development	2,790,000	2,156,000
Borrowings	(13,935,000)	(13,405,000)
Total	**2,156,000**	**2,049,000**
5. OTHER		
Working capital, loans receivable, provisions	**(1,479,000)**	**(347,000)**
Net assets before tax on unrealised gains	**146,430,000**	**162,428,000**
Estimated provision for tax on unrealised gains	(1,623,000)	(5,212,000)
Net assets after tax on unrealised gains	**144,807,000**	**157,216,000**
Shares Outstanding	42,513,419	42,536,593
Net Assets per share before estimated tax on unrealised gains	**$ 3.44**	**$ 3.82**
Net Assets per share after allowing for estimated tax on unrealised gains	**$ 3.41**	**$ 3.70**